Bernardo Kanahuati – CEO, Bayer Spain



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Following Bayer's acquisition of Monsanto, a US agriculture giant, the company is facing a new era in which its pharmaceutical arm is still a highly strategic part. Bernardo Kanahuati, Bayer's CEO for Iberia, highlights the importance of Spain's manufacturing and R&D for Bayer International, as well as his strategy to maintain steady growth, particularly with mature portfolio brands.

You have worked in both operational positions such as country general manager as well as in Head Office. What experience do you expect to gain from your new tenure heading the Spanish affiliate?

I am very excited to come to Spain and lead a key region for Bayer, especially at a point in time when we are facing a new era as a life sciences company.

Over the last 16 years, I have been in and out of headquarters, having the chance to occupy global roles that required me to set the strategic direction of the business, and regional or local responsibilities that exposed me to diverse market realities and enriched my operational experience.

In my current role as CEO of Bayer in Iberia, I will definitely enjoy working together with a very talented team to further develop our competitive position in the region. Spain plays a key role for the company, with over 2,000 employees, and with production and research facilities across the country we are very well positioned to continue fulfilling our mission of ¨Science for a better Life"

To what extent will the Monsanto merger change the place of pharmaceuticals in Bayer's activities portfolio in Spain?

We are excited to begin this journey that integrates Bayer and Monsanto into a combined leader that will help to shape the future of agriculture. This combination represents a major step forward, not only for our Crop Science business but for all of us as a company, reinforcing Bayer's leadership as a global, innovation-driven life science company.

Across the globe, Spain included, we will have a much stronger Bayer thanks to this acquisition. The result is a company which is not only entirely dedicated in heart and conviction to the development of new solutions for agriculture and health, but a company that is also equipped with a firm sense of purpose.

Throughout its history – which spans more than 150 years, including 120 in Spain – Bayer has experienced various cycles and has successfully divested or acquired business, always with the strategic intent of strengthening its business portfolio. The integration of Monsanto not only reinforces our CROP business but also makes us stronger as a company. Bayer is now better prepared to face the future and to continue offering solutions through science to improve people's lives through healthcare and nutrition.

What is the strategic importance of Spain for Bayer?

We have a strong footprint and an old-established, historical presence in Spain. Next year – 2019 – we will celebrate Bayer's 120th anniversary in the country, where we are present through our employees, offices and sites, and where we uphold a strong tradition of commitment and collaboration.

An example of this is our production plant in La Felguera (Asturias, Northern Spain). This API plant, which last year celebrated its 75th anniversary, is a benchmark for Bayer worldwide, as it produces all of the group's acetylsalicylic acid (the active component of our well-known Aspirin®) and sets an example for how we work here in Spain. This is something that makes us feel pride, but also entails a great responsibility to fulfill expectations and keep up the highest standards of productivity, efficiency, quality and, above all, sustainability and innovation, the feasibility of which is thanks, in particular, to the professionals that oversee these aspects and work on them every day.

Another important example of the work carried out in the region while collaborating locally is the BerliMed production plant in Alcalá de Henares. This plant started operating in 1998 and currently exports to over 80 countries. It is the only Bayer plant that produces soft gelatin capsules, as well as contrast agents. The centre also includes a major R&D laboratory, where our scientists' talent is combined with that of external researchers on projects such as the one carried out in 2017 in cooperation with the Spanish National Research Council (CSIC) for the development of a new encapsulation technology.

It is also very important to note our continuous investment in the country. If we take a look at the numbers for 2017, for example, overall, we invested EUR 33 million (USD 38 million), EUR 13 million (USD 15 million) of which we invested in infrastructure, among other projects, improving plant quality and updating office spaces. The remaining EUR 20 million (USD 23 million) was invested in R&D.

With regard to pharmaceutical sales, how is the company performing in Spain?

Last year (2017), Bayer's pharmaceutical business in Spain generated EUR 333 million, and we grew by about 5.5 percent, more than the market grew – this positive development consolidates the trend initiated in the last few years and has put us in a strong position to face the present challenge. Our intention is to maintain the development rate in Spain that we have nurtured in recent years. We will continue to provide access to as many medicines as possible in order to continue providing healthcare and services to as many people as possible so that society can benefit from our innovations and medicines.

Reflecting a global trend, our drivers for growth are Xarelto®, our deep vein thrombosis drug, and our ophthalmology drug Eylea®, but we are also seeing promising developments with our newer oncology medicines.

Our mature brands continue to support the group's progress in Spain, too. In consumer healthcare, we saw roughly EUR 110 million (USD 127 million) being contributed in 2017, which is more or less in line with the previous year. Consumer healthcare is a highly competitive market, and we participate with both key brands in Spain and with global initiatives. The challenge we face in terms of consumer healthcare is the evolution of our business in order to face challenges such as Amazon and the rise of e-commerce. As a result, we have created new business models and concepts to compete.

As the former Global Head of Established Products for Bayer, what is your vision of the future for mature brands?

Bayer is an innovative company, and throughout our 150+ years of history, we have set important milestones in the various fields of business where we are present. Many of our products have been incorporated over the years and continue to cover important health needs and as such, for us, they require special treatment.

I have worked in this domain for many years now, and the best example for me is Aspirin®. It is over 120 years old, and it is still growing today! There is always a place for mature brands, depending on the market, for example growing markets like China or Brazil, where brand recognition continues to grow.

Having recently taken up the country manager position, what has surprised you the most about Spanish pharmaceutical market conditions?

I am still in the discovery phase, and what I have seen is that the Spanish system is formed by 17 different communities with different regional regulations, undertaking actions that have not always enabled an equal incorporation of science and innovation. The economic situation over the last ten years has driven the government to make important decisions concerning contingencies and cost-saving matters and to increase investments within a framework of restrained public spending on medications, which directly impacts the healthcare industry.

One of the challenges that we face as an industry is ensuring that the contribution that pharmaceutical companies make in terms of the value that they add to the economy is recognised, made visible and understood, rather than merely treated as a source of savings. In simple terms, pharmaceutical companies support and help to improve people’s lives, which means that we have productive and economic individuals who can go back to their jobs sooner and less absenteeism, which translates into a positive impact for the overall GDP. By itself, the pharmaceutical industry is an important source of quality employment, growing every year (+3 percent in 2017) and 92 percent composed of indefinite contracts.

Due to the health sector’s current situation, we, the pharmaceutical industry, must collaborate with the authorities to provide the greatest possible access to innovation for people in all fields of healthcare. The health sector is seen as a driver for growth in the country due to its large social

impact. A healthy society is more productive and therefore has a positive impact on the economy, but innovative medicines can have a further positive impact for the Healthcare system. In this regard, we have to understand innovation not only in terms of costs but also as an investment in the future. As long as patients' access to innovative medication increases, we will be contributing to a healthier society with a better quality of life and having a positive impact on the country's economic growth.

Dieter Weinand pointed out that in order to remain at the cutting edge of scientific and technological development, Bayer would aggressively pursue more partnerships with start-ups, biopharma companies, academia and public research institutes. What is being done at this level in Spain?

In the area of health, and taking into consideration demographic changes and ageing populations, the company is working to provide innovative solutions to some of the most prevalent diseases, but it is also committed to launching prevention and monitoring programmes, as well as incorporating new technologies and robotics. Collaboration is also our motto when we face our future. Incorporating new technologies in terms of disease prevention and treatment will be fundamental and is something that we have to continue to work on and that will most certainly allow us to continue to help improve the health and well-being of many people.

A commitment to innovation improves the competitive position of our sector and can only be seen if we support R&D and provide it with the resources needed within a long-term vision that aims to capitalize on all of Spain's potential. Spain's many excellent researchers, and the presence of large health infrastructures, give us this position, and Spain hosts one out of every three clinical studies carried out in Europe, making it one of the European countries with the best conditions for researching and developing new medications.

Bayer has a special focus on cardiology and oncology, and we have a significant ophthalmology business area. To this end, we work closely with academics, universities, and hospitals, and certain institutions which reflect our global intentions. We have developed a recent but very strong collaboration with the cardiology field because of our outstanding experience.

But when we talk about innovation, we should go beyond what the word itself means. It is a term that has evolved, and into which new concepts are increasingly being integrated, such as the value of collaboration and joint development agreements, whether they are universities, small biotech start-ups or other research centres. We have to work to provide systems that can advance patient

monitoring and management.

Innovation is also about working with strategies which have been adapted to help the accessibility of innovation and to find improved formulas for patient diagnosis and monitoring. This is where factors such as technology play a key role.

The strategy of complementing the company's own capabilities with new relationships seems to be the key factor for bringing value to society and covering unresolved needs.

Besides the industrial and commercial operations, Bayer Spain also has a Shared Service Hub based in Barcelona. Can you run our audience through the purpose of this hub?

For 15 years we have operated a Service Hub in Barcelona, which was in fact a worldwide first for Bayer. We have a central administrative service with more than 500 employees, who provide outsourcing services in finance and administration for Bayer.

The services we offer are mainly accounting services. We have plans to continue in this direction, and we currently have a good base of employees. With young employees with over 34 nationalities, we have a very dynamic organization, and they provide a great energy to work with. They have a modern approach to working, being open to flexible hours, remote working, and working from home as much as possible. Our plan is to consolidate and continue this project based on the needs of the company.

Social advancement is a commitment Bayer has maintained from the outset, and one it will continue to maintain in the future. Therefore, we are not only investing in R&D but also in people, offices and programmes to achieve this goal.

On a completely separate note, what is the most challenging and interesting part of managing the younger generation – millennials?

It is exciting and interesting to understand how younger generations work. Recently, we hosted an initiative called 'reverse mentoring,' where we had young millennials mentor more experienced managers. The goal was to understand how things now work, and how millennials solve problems. We have to consider that this generation does not approach problems in the same way that we did 20 years ago.

We approach millennials with lots of enthusiasm, and I often host breakfasts with them to see how the future of the company may develop. Their minds are shaped differently, they were born in a different context and they are more creative than their parents.

Again, the Service Hub is an excellent example of this inclusive spirit: in it we have people of all ages working together collaboratively. We actively listen to millennials and engage them in discussions. After all, if they stay at the company, that’s great; but if they develop professionally beyond Bayer, then that’s wonderful for them. What’s important is that we take care of our employees and act as a magnet for attracting new talent to Bayer.

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